

## IRELAND

## The tiger roars on

There

**are few rags to riches tales more dramatic than that of Ireland's over the past decade. The "Celtic Tiger" has left other European economies trailing in the dust, expanding more than three times the European average since the mid 1990s. In little more than 15 years, the country has transformed from one of Europe's poorest to one of its richest.**



Bertie Ahern  
Prime Minister

Few people have more first-hand experience of managing this transformation than current Irish Prime Minister Bertie Ahern. "I have been dealing with economic issues since the bad old days in the early 1980s, so it has been an interesting experience," he says. "Since I became Prime Minister in 1997, growth has averaged about 7% per annum compared to the Eurozone average of just 2%. Unemployment has been reduced from 10% to 4% and we are not far off full employment. This is in stark contrast to my time as Employment Minister, when the figure stood at 18% and 50,000 people were leaving the country every year. Nowadays, 100,000 people are migrating here every year—the situation couldn't be more different."

Ahern says one of his proudest achievements has been the reining-in of national debt that spiralled out of control in the early years. "At one time, our debt-to-GDP ratio was about 17%, but today that burden has been reduced by about 72%, thus freeing-up resources for investment in infrastructure. The debt servicing problem that crippled Ireland in the 1970s and 1980s is therefore no longer a problem."

**"Growth has averaged about 7% per annum since 1997, compared to the Eurozone average of 2%, and we are not far off having full employment."** Bertie Ahern, Prime Minister

Many of these resources have been funneled into the National Development Plan (NDP)—an unprecedented U.S.\$73 billion infrastructure investment initiative. "The lack of a modern transport system is holding back the economy and this, along with a more advanced educational system and environmental management system, are the key issues it seeks to address," says Finance Minister Brian Cowen of the NDP.

Foreign Affairs Minister Dermot Ahern attributes long-term factors such as trade liberalization since the 1950s and membership of the EU as the foundations of Ireland's success. "EU membership gave us access to a market of 350 million people, whereas before, 75% of our exports went to the U.K.," he says. "Other key factors were highlighted by a recent report which showed that, despite changes in government, stable policy over the past 20 years has also helped nurture the economic boom. The dramatic reduction of

corporate taxes from 45% to 12.5% and the halving of capital gains tax to 20% have also been big factors." Ireland's central bank governor John Hurley asserts that another crucial aspect has been "Ireland's pro-business environment in terms of the flexibility of the labor market."

Sean Dorgan, chief executive of the Industrial Development Agency, agrees. He says: "We pride ourselves at meeting business needs very fast, which is why companies like Intel have repeatedly chosen to invest here. We also recognize the importance of research and development (R&D) and have pledged U.S.\$4.8 billion to it until 2013." The fruit of this R&D has been a booming high-tech sector which Prime Minister Ahern singles out as the main motor driving the Tiger. "Combined with our well-educated, English-speaking, low-cost workforce, we have been very well placed to take advantage of the high-tech boom, particularly in ICT and pharmaceuticals," says Ahern. Enterprise, Trade and Employment Minister Michéal Martin adds: "Twenty years ago, Ireland relied on heavy-industrial



## Leading Ireland's Research Revolution

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Through its leading research in science, health, humanities, engineering and computing, DCU has helped to create Ireland's innovation culture, and ensured discovery and analysis are converted into clinical practice, industrial application and social and cultural progress.



[www.dcu.ie/research](http://www.dcu.ie/research)



**Brian Cowen**  
Minister for Finance



**John O'Donoghue**  
Minister for Tourism



**Martin Cullen**  
Minister for Transport

manufacturing but this has now changed to high-end goods. We've developed competitive world-class capabilities in high-end pharmaceuticals and electronics. Limerick, for example, is now able to manufacture some components more cheaply than China."

### The tourism factor

One of the many Irish industries to have enjoyed the boom is the increasingly important tourist sector. Ireland is renowned for some of the most spectacularly green landscapes in Europe and a famously friendly welcome from its warm people. "Almost seven million people visited Ireland in 2005 and more than 90% left satisfied," says Arts, Sport and Tourism Minister John O'Donoghue. Paul O'Toole of Tourism Ireland notes: "Over the years, tourists consistently praise the Irish way of life and the beautiful landscape. There's something special about the Irish way that makes Ireland a unique destination."

Sports tourism is high on Ireland's agenda and one event that is sure to attract hordes of visitors to Ireland this year is the prestigious Ryder Cup golf tournament in September. One of the main sponsors of the event is Fáilte Ireland—the National Tourism Development Authority. Its chief executive Shaun Quinn says:

"Around two billion viewers, many of whom will be in the U.S., will watch the Ryder Cup, so its importance can't be underestimated." The event will be held in the luxurious K Club set amongst 550 acres of County Kildare. "Our five-star hotel has 70 bedrooms, two golf-courses and a spa, plus horse riding, shooting and fishing facilities," says K Club chief executive and general manager Michael Davern. "We were selected for the Ryder Cup because of the international quality of our courses, our ample spectator room and our proximity to Dublin, which is only a 40-minute drive away."

To cope with the expected increase in visitors, the Irish Hotels Federation has overseen a period of dramatic expansion in Ireland. "We've doubled the amount of hotel bedrooms in Ireland over the past 10 years," says Federation chief executive John Power. "We expect to have 51,000 hotel bedrooms by 2008 and most of the world's top hotels located here. In line with international trends, there's also been a separation between ownership and management in Irish hotels which wasn't the case 10 years ago." Power adds: "The hotel sector is growing at around 5%, but we'd like to focus on encouraging people to stay longer in Dublin."

One hotel of particular note is The Clarence, located along the River Liffey in Dublin and owned by Bono and The Edge of Irish super-group U2. The hotel markets itself as "simple but elegant, timeless but in its time" reflecting the old and new mix of modern Ireland. Fáilte Ireland's Shaun Quinn feels tourism has already come a long way, but is confident there are plenty of opportunities still ahead. "Over the past four to five years, the tourist market has grown about 33%, and we want to increase this even more through attracting more international sporting and cultural events," says Quinn. The highly lucrative business conference circuit also remains to be conquered. "We are currently at the advanced stage of



Independent  
News & Media PLC

## Global Vision : Local Focus

### Summary Highlights

#### Year End 2005

- Record results with strong revenue growth of 7.5%.
- Profit before tax increased by 41.6%.
- EPS up 78.1% to 20.30c, with adjusted EPS up 17.2% to 15.62c.
- Full-year dividend of 10.75c (up 19.4%).
- Acquired 26% of JPL in India, publisher of the Hindi-language title *Dainik Jagran* – the world's most read newspaper.
- Significant return realised (€96.9m) on disposal of non-core iTouch plc.

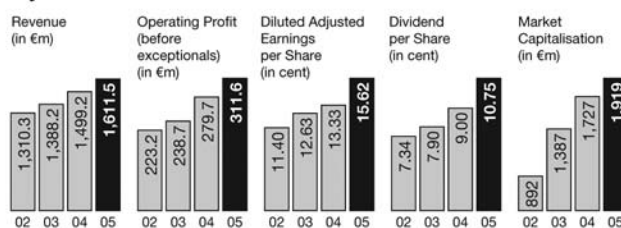
#### Post Year End Highlights

- Acquisition of *PropertyNews.com*.
- 20% stake in Cashcade Ltd – a leading UK online gaming company.
- New global brand launched – one Group, with one vision under one brand.



Sir Anthony O'Reilly  
Chief Executive

### Key Performance Indicators\*



### Why We're Different

We have delivered growth in both revenues and operating profit in each of our markets (Australia, India, Ireland, New Zealand, South Africa and the United Kingdom) and across all media platforms (publishing, online, outdoor and radio).

### Shareholder Return Since 1973

If you invested €1,000 in 1973, it would today be worth over €400,000. That is a Compound Annual Growth of 19.4% – a figure unmatched by any comparable company on the Irish Stock Exchange.

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*Dainik Jagran* sells 2.4m papers per day and at a readership of 21.2m, has the largest readership of any newspaper in the world. We have more than doubled our investment since our initial acquisition.

### Dual Newspaper / Online Strategy

Our objective is simple – where we lead the market offline, we intend to fully lead it online, across each of the classified, editorial and services areas.

### INM Staff

It is our belief that the executives and workers, all 10,400 throughout the world, can give us confidence that the future of this company will be as measured, exciting, multi-disciplined and global as the past.

### INM's Future Strategy

Reflecting our distinctive multi-market, multi-language, and multi-medium strategy, media in the future should be location, language and platform indifferent.

### Outlook

The Board is confident of INM's ability to deliver another year of superior earnings growth for 2006, in line with current market expectations.

\*Figures are reported under previously applied Irish GAAP for the years 2002-03, and under IFRS for 2004 and 2005.

Independent News & Media PLC (INM) is a leading international newspaper and communications Group, with its main interests in Australia, India, Ireland, New Zealand, South Africa and the United Kingdom. Full financial statements for the year ended 31st December 2005 will be delivered to the Registrar of companies and contain an unqualified Audit Report. Copies of the Report may be obtained from the Company Secretary of Independent News & Media PLC, Independent House, 2023 Bianconi Avenue, Citywest Business Campus, Naas Road, Dublin 24, Ireland.

For more information please visit: [www.inmplc.com](http://www.inmplc.com)





**The K Club hotel and estate beside the River Liffey, venue for the Ryder Cup 2006**  
<http://www.kclub.ie/>

building a National Conference Centre in Dublin with which we hope to double our business conference circuit by the end of the century." Quinn concludes, "We have set our sights on a target of 10 million visitors—almost double Ireland's population—by 2012."

### Building up the economy

To facilitate Ireland's explosive economic expansion, investment in infrastructure is at an all time high. Ireland's "Transport 21" plan encompasses ports and airports but has made the rail and road network its priorities for the future. "Over the last few years, we have invested heavily in the rail and road network with the aim of increasing competitiveness as well as the quality of life in Dublin and the rest of the country," says Minister of Transport Martin Cullen. Airports are also to be modernized. "We have four main airports in Cork, Limerick, Shannon and Dublin. Our objective is to make Dublin a hub for short-haul and long-haul traffic and to privatize flagship carrier Aer Lingus."

Córas Iompair Éireann (CIE) has been established with the task of overseeing the development of public transport. "We are administering the NDP in three main areas: rail, Dublin Bus and Bus Éireann which caters for all buses in the rest of the country," says chairman John Lynch. "Our rail arm is the fastest growing rail company in Europe, at about 8% per annum. It has approximately 5,000 employees and since 2000, has spent in excess of U.S.\$2 billion on the railways to make it the most modern fleet in Europe."

While the Celtic Tiger has presented opportunities, Lynch acknowledges it has also created problems that CIE needs to address. "One issue of concern is that Ireland's economic success has meant people have tended to buy houses outside of Dublin for cost reasons, but of course they need transport. One initiative we are developing to deal with this is the Dublin Area Rapid Transport System (DART) which runs from the south to north coast of Dublin and carries 24 million passengers a year." In the rush to modernize, however, Ireland has not forgotten to make efforts to preserve one of its most precious assets. "Dublin Bus is among the first in Europe to accommodate bio-fuel into its operations. With oil prices unstable, we feel this makes good economic sense in the long run."

Dublin is also engaging in its own version of the 1980s London Docklands revamp. Paul Maloney, chief executive of Dublin Docklands Development Authority is in charge of the ambitious

project that started in 1997 and seeks to complete the physical, social and economic regeneration of the east side of Dublin. "The vision is to create a financial and commercial hub for the city with a great deal of local and foreign direct investment," says Maloney. Major commercial, residential, cultural and amenity projects promise investment potential for foreign developers who invest at this stage. One example is the U2 Tower located on three waterfronts where the band will have its studios, which offers huge residential development opportunity. "We are seeking expressions of interest from world-class developers for this purpose until October," adds Maloney.

Meanwhile, the Irish Aviation Authority (IAA) is also making moves to complete the modernization of the country's transport network. "We have one of the most modern air-traffic management systems in Europe," says chief executive Eamonn Brennan. "We're also proud that our fees for management are the lowest in Europe." In addition, the IAA has invested U.S.\$220 million in its systems and over the next five years, will be integrating them with the state-of-the-art networks of Sweden and Denmark with U.S.\$180 million to be invested over the next 10 years.

### Free education for all

One of the fundamental factors behind Ireland's success story is its education system. Providing a high standard of free education to degree level has long been a government priority, and unlike many other European countries today, Ireland still offers free education to all. "The fact there are no tuition fees in Ireland is probably the biggest contributor to our economic success," says Education and Science Minister Mary Hanafin. "We realized that as the economy started to grow, we needed an educated workforce able to seize the



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**The famous penthouse at The Clarence Hotel, Dublin—[www.theclarence.ie](http://www.theclarence.ie)**

opportunities it presented. In 20 years, the numbers going into third level education have more than doubled to 55%, and the challenge is to make this continue."

One of Ireland's most cutting-edge educational institutions is Dublin City University (DCU). It was the first to introduce work placements as part of its degree programs, and places close links with industry at the top of its agenda. "Universities have to be engines of knowledge for economic investment, as well as educators," says DCU president Prof. Ferdinand von Prondzynski. "DCU prides itself as a leading driver of innovation and change and we want innovators to know they have a home in Ireland."

Another of DCU's revolutionary moves was to be the first Irish university to introduce a school of biotechnology. The president predicts medical diagnosis will be one of the most important areas for the global economy over the next few decades. "DCU is working to identify the technical, economic and social needs of the next 20 years and prepare how to meet them," says von Prondzynski. "This is why DCU has research collaboration projects with companies like Wyeth and Bristol-Myers Squibb to not just create discoveries but to market them globally."

The president also stresses the university's international outlook. "We are constantly building partnerships with universities across the world that have compositions and synergies similar to ours, such as our recent collaboration with Arizona State University." DCU has also reaffirmed its commitment to furthering links with industry

as part of a beneficial interchange for students and the corporate world. "DCU's Business School is one of the largest and is also linked with DCU's Ryan Academy of Entrepreneurship, funded by low-cost airline Ryanair's co-founder Tony Ryan. We are overhauling teaching programs for the benefit of both students and industry to make them more relevant to the working environment." Von Prondzynski adds: "Government support has also allowed us to significantly increase and improve research. We are proud of our position as a partner of the government and its agencies in securing innovation-intensive investment for Ireland."

While DCU has a more international focus, the University of Limerick plays an important role in ensuring Ireland's smaller regions do not get left behind. "The university has a teaching and research mission here in Limerick, but also a service mission that goes further than other universities," says acting president John O'Connor. "We promote and get directly involved in industrial development within the region, as we believe this is our responsibility. We do this by working with various agencies to help our graduates find the right work and to help industry find the right staff."

The university also plans to reaffirm its own strong commitment to scientific research. "We want to double our number of PhD

**"DCU prides itself as a leading driver of innovation and change, and we want innovators to know they have a home in Ireland."** Prof. Ferdinand von Prondzynski, President, DCU

students, so we are setting up Graduate Schools which will support the development of research degree programs and take graduates from all six colleges of the university as a "one-stop-shop" for all postgraduate students."

### An information society

One of the most radically transformed sectors of Ireland's economy has been telecommunications. From just one state operator in 2000, Ireland now has four mobile operators, and over the past decade has invested U.S.\$5 billion in the infrastructure. "One of our best investments was the Atlantic Global Crossing cable to America which has helped attract Amazon and Google here," says Communications, Marine and Natural Resources Minister Noel Dempsey. "Broadband is our big focus at the moment, however, as roll-out has been slow. Our Metropolitan Area Networks Program has brought fiber-optic broadband to 27 regional towns and cities so far."

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& Natural Resources

The current leader in Irish telecommunications is former state utility Eircom which provides a range of voice, data, Internet and most recently, mobile services. Privatized in 1999, it remains the leading provider of fixed-line telecommunications and Internet services in Ireland. "We compete with around 40 other fixed-line providers, and although many customers have tried them, the majority come back to us," says chief executive Philip Nolan. "At the moment, increasing the coverage and speed of broadband is our priority so customers can enjoy high-bandwidth services such as video on demand. There are technological limitations to this, however—the faster speeds are only available closer to the exchanges—so we are investing in the next generation of telecommunications to help bridge the gap."

However, telecommunication penetration still has some way to go in Ireland to catch up with the European average. Nolan says of this disparity, "Ireland's success is all relatively recent, and also, culturally, Ireland is still adapting to using the Internet at home. At work, penetration is high, but domestic use remains low." Nolan also says he would like to see more effort from industry and government to promote PC usage. "If you look at the U.K. and Scandinavia, they all have government schemes to encourage PC use. It is interesting to note that Ireland has very high penetration of game consoles such as Playstation and X-Box, which leads me to believe that entertainment could be the key in encouraging Irish people to use the Internet more."

Nolan remains optimistic about the future of ICT in Ireland however. "We have long-term investors such as Dell, Intel and Microsoft, and we are still one of Europe's highest exporters of software. Investors have realised that in Ireland, they can find as good telecom services as anywhere." To maintain this quality, Eircom recently acquired mobile operator Meteor. "Ireland is often criticized for having high mobile costs," says Meteor chief executive Robert Haulbrook. "We want to give Irish users a better deal, including many of the country's increasing number of immigrants through our "Anytime International" plan. The plan means, for example, that Ireland's thousands of Eastern European residents can now call home for as little as nine cents a minute. When you base the cost of calls on price per minute, we are in line with the rest of Europe, but Ireland's growth means that people are spending



**The Helix, DCU's University Arts Centre, is renowned as a premier performance and exhibition space, attracting artists from around the globe**

increasing amounts of disposable income on mobiles, so mobile use is actually higher than average here."

This is particularly true with regard to texting. Research shows that Irish users send more texts than any other group in Europe. "Meteor have introduced a plan whereby if you spend a minimum

**"Our approach to telephony remains to give customers what they want today, rather than what they are not looking for yet."** Robert Haulbrook, Chief Executive, Meteor

of U.S.\$25 a month on your monthly bill, texting is completely free." Meteor is also part of Eircom's strategy to use the next generation of mobile technology to enhance Ireland's broadband speeds. Haulbrook explains: "We are launching "Edge" in the near future, which allows for high-speed data transmission over your mobile phone." Haulbrook affirms, however: "Our approach to telephony remains to give customers what they want today, rather than what they are not looking for yet."

#### And finally

Ireland is not often noted for its media empires but one of the country's most emblematic international flagships is Independent News & Media PLC (INM). Spanning four continents and 21 countries, INM is one of Ireland's biggest international success stories. The media giant is a truly global star with 75% of its activities offshore, 50% of which are in Australia, New Zealand and South Africa.

It publishes over 175 newspaper and magazine titles and has 128 radio stations with an audience of more than five million people.



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**Philip Nolan**  
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**Sir Anthony O'Reilly**  
Chief Executive,  
Independent News & Media

Assets are estimated at around U.S.\$5 billion and it employs over 10,000 people worldwide. From humble beginnings, chief executive Sir Anthony O'Reilly reflects on the growth of one of the world's biggest media operations. "I started in 1973, and from a small company, its stock has grown on average 19% for the past 33 years, making it the most incredible performing stock on the Irish stock market," he says. "Internationally, the company has gone on to be the number one selling media company in New Zealand, the number one broadcaster in both Australia and New Zealand, number one in South African outdoor media and number one in both Northern and Southern Ireland." The company also owns the prestigious *The Independent* newspaper in London, something Sir Anthony is "very proud of."

Despite the rise of Internet publishing, the media mogul is confident that print will continue to thrive in the Irish media marketplace. "My personal preference has always been print—there is a wonderful personal bond between a paper and the local community, wherever it is. *The Irish Independent* is a classic example of

remaining the people's favourite despite the entrance of lots of new competitor efforts. As regards television news, you are only getting a highly select and superficial amount of information."

Sir Anthony echoes Mark Twain's famous "Rumours of my death have been greatly exaggerated" in his assessment of print's future. "In the same way that radio threatened print, and television threatened radio, Internet will be more of a threat to television than anything else. I maintain that the link between communities and their papers, and the fact that newspapers carry well-constructed, well-edited and reasoned points of view, means they will always beat Internet offerings."

For the future, Sir Anthony says: "I would like to see Ireland further develop in high-tech software and financial services. Goods that are of very low labor content, like pharmaceuticals, are ideal for Ireland."

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